

Introduction

Lectus Developments Ltd. holds over eighty claim units and Reverted Crown Grants in the Rossland Volcanics, 6 km southwest of Nelson, B.C. These are collectively known as the "Great Western Project".

The claims are presently split into 2 "packages". These are:

1. "Giveout Creek - Toughnut Property". presently held by Lectus with geophysical and geochemical surveys pending, 1987 drilling. *TOTALLED 21 Holes.*
2. "North Giveout Creek Property" presently under 51-49% joint venture with Asarco but not being worked.

At this stage, Lectus is looking for someone to option-joint venture the 2 properties and, possibly, work towards earning an interest in the "Star Property" held by U.S. Borax *IMMEDIATELY* adjacent to the west.

The present exploration target is bulk mineable, low grade gold mineralization associated with pyritic volcanics of the Rossland Formation. Drilling by Lectus and U.S. Borax supports this model as indicated by the intersections below.

DH 87-3	38 ft	.148 oz/t Au
with	3 ft	1.7 oz/t Au
DH 87-10	21 ft	.23 oz/t Au
with	6 ft	.73 oz/t Au
DH-S3	120 ft	.09 oz/t Au
with	20 ft	.221 oz/t Au
DH-S5	155 ft	.126 oz/t Au
with	20 ft	.72 oz/t Au

Kerr's examination of the "Giveout Creek" area in 1987 indicates there may also be volcanogenic massive sulphide potential on the claims. An extensive pyritic bi-modal volcanic sequence (now quartz sericite and quartz chlorite schists) shows local Cu-Zn mineralization in massive sulphide "stringers" and sulphide cemented breccia. The massive sulphide potential has not been tested as all current exploration is directed at precious metals.

Grid construction on the "Giveout Creek" property totals roughly 60 line km, 30 km of which were established in 1987 and covered by an I.P. Survey and soil geochemistry. Coincident I.P. and gold-soil anomalies were trenched and diamond drilled with 21 holes. Significant intersections are appended.

Kerr Addison has been active in the Nelson area for 2 years. We propose to acquire an option on the "Giveout Creek - Toughnut" property of Lectus Developments. Over the next several years, Kerr will systematically evaluate both the significant precious metal potential and the as yet untested massive sulphide potential.

The 1988 program will include substantial surface work in preparation for drilling. The program will include, 25 line km of additional grid construction, a MAG Survey over the entire 60 km grid, a VLF (horizontal loop) survey over the entire grid, a substantial trenching program (outcrop averages <5%), and a thorough detailed mapping, sampling and rock lithochemical program.

Because previous drilling indicates a partial structural control to gold distribution, a certain amount of emphasis will be given to a detailed structural analysis of the volcanic sequence.

The 1988 program will require a budget of \$150,000 as detailed below. The time frame would be 2-2 1/2 months prior to any drilling. An experienced field crew will be assembled from present personnel.

PROPOSED 1988 "LECTUS" PROGRAM

PHASE I (MID AUGUST - END OCTOBER 1988)

1988 Program

Grid Construction	³⁰ 25 km @ \$375/km	11,250 9,375.
MAG Survey 1 man	⁶⁰ 40 km ²⁰ 14 days x \$250/day	5,000 3,500.
EM (loop) 2 men @ \$325/day	⁶⁰ 40 km ²⁰ 14 days x \$325	6,500 4,550.
Trenching	20 days x \$1000/day + (\$3000)	23,000.
³ 2 man crew (all incl.)	60 days x ⁶⁵⁰ \$500/day	39,000.
Assays (32/I.C.P. + Aug)	500 x \$19/ea	9,500.
GEOCHEM (SOILS)	2300 x \$15/ea	<u>34,500</u>
(*Mobilization - demobilization charge)		477,050.
Drilling (if justified)		
3500 ft (~ 1000 m) @ \$20/ft (all up)		70,000.
5 holes @ 200 m each.		150,000.
REPORT PREPARATION, DRAFTING		19,000
	SUB-TOTAL	<u>138,750</u>
	10% CONTINGENCY	13,000
	PHASE I TOTAL	\$ <u>151,750</u>

PHASE II. (NOV 1988 - FEB 1989)

DRILLING (CORE)

20,000 FT at PHASE I PRIORITY TARGETS

20,000 FT @ \$20/FT (ALL INCL)

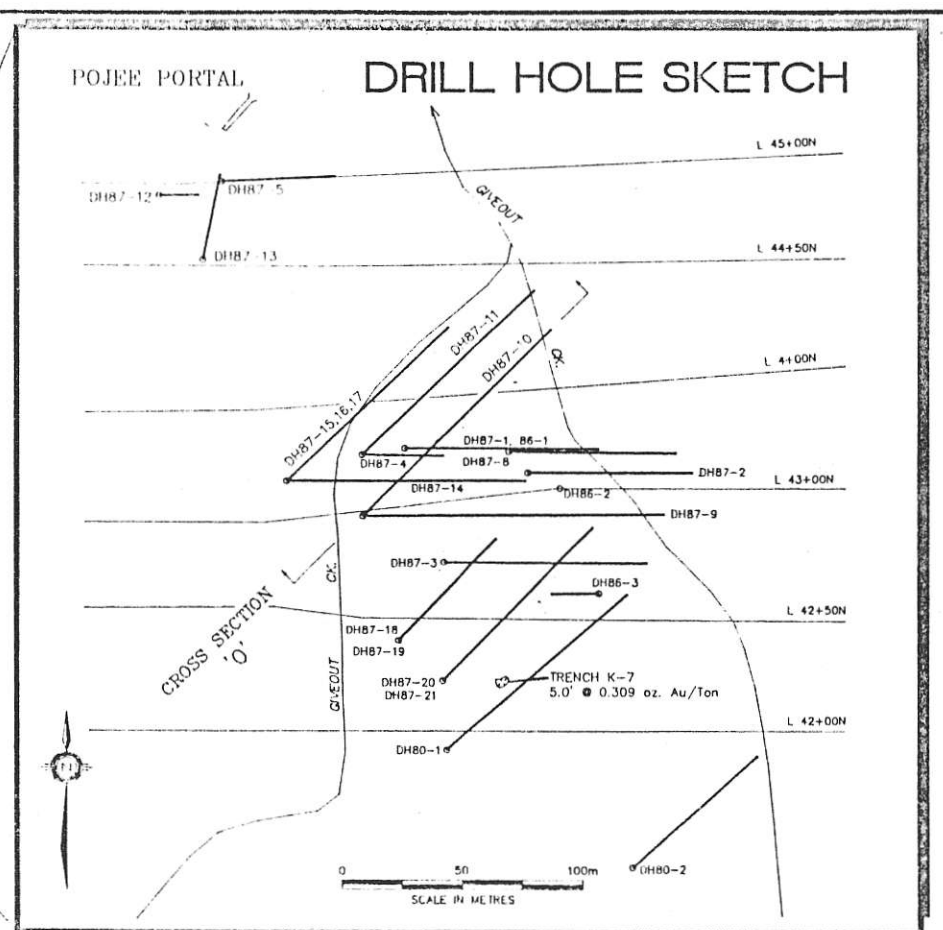
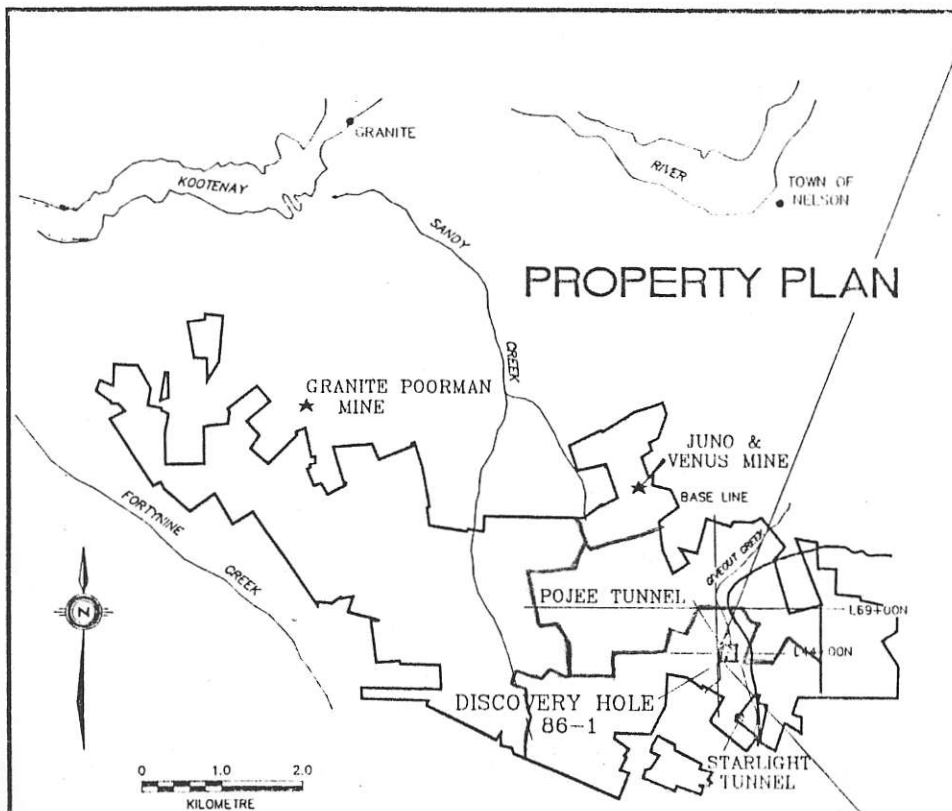
ASSAYING 1500 SAMPLES x \$20/ea.

REPORT PREPARATION, DRAFTING, COMPUTER TIME (ETC)

40,000
30,000
<u>20,000</u>

↓ TOTAL PHASE I + PHASE II \$600,000

PHASE II TOTAL \$ 450,000



LECTUS DEVELOPMENTS LTD.

GREAT WESTERN PROJECT

DRILLING RESULTS

HIGH GRADE ASSAY RESULTS

WITHIN THE TYPE A HIGHER GRADE ZONES, MINEABLE WIDTHS OF HIGH GRADE HAVE BEEN ENCOUNTERED:

DH. No.	WIDTH IN FEET	oz./ton GOLD	DH. No.	WIDTH IN FEET	oz./ton GOLD
DH86-1	5.6	0.469	DH87-4	0.3	0.650
	1.7	0.248	DH87-6	0.2	0.594
DH87-1	0.6	0.364	DH87-9	1.9	1.154
	6.7	0.300	DH87-10	6.2	0.730
DH87-3	1.3	0.224			
	3.5	0.142			
	2.0	0.577			
	2.8	1.715			
	1.0	0.523			
	0.7	0.238			
	0.5	0.214			
	1.2	0.476			
	1.0	0.206			

THESE GOLD GRADES CONFIRM THE POTENTIAL OF A HIGH GRADE DEPOSIT.

FEBRUARY, 1988

August 26, 1988

Lectus Developments Ltd.
530 - 355 Burrard Street
Vancouver, B.C.

Attention: Stanley R. Ford
Executive Vice President

Dear Mr. Ford:

Re: Great Western Claim Group, Nelson, B.C.

The following are the terms I wish to propose to our management:

1. Kerr has the option to earn 60% of Lectus's interest in the the Property by the expenditure of \$1,000,000 by September 1, 1992 at the rate of:

cumulative FEB 28
\$250,000 by September 1, 1989
TOTAL 500,000 by September 1, 1990
750,000 by September 1, 1991
1,000,000 by September 1, 1992 *(cumulative total)*

✓ 2. Kerr will make the payments due to Palmer/Addie (\$20,000) and Labelle et al (\$14,000) in November, 1988.

* 3. The cost of payments due in 1989 and 1990 will be shared by Kerr and Lectus in the ratio 60/40 but with ~~Lectus being credited with the market value of its shares issued to the Vendors in each of those years.~~ *TREASURY FUNDS TO GO TOWARDS ENSURING OPTIMAL PAYMENTS.*

4. Prior to February 28, 1989, Kerr will direct the spending of \$200,000 on the Property on Lectus's behalf, such funds received by Lectus through its flow-through share agreement, satisfactory evidence of which must be provided to Kerr.

5. On incurring the \$1,000,000 expenditures Kerr and Lectus will contribute pro rata to all further expenditures or suffer dilution. Any party reduced to a 20% interest through dilution will automatically have its interest converted to a 10% net profit interest.

6. Kerr will have an option to purchase Lectus shares at the following prices and by the dates indicated:

500,000 shares at 25c/share by Sept. 1/1989
a further 500,000 shares at 50c/share by Sept. 1/1990
a further 500,000 shares at 75c/share by Sept. 1/1991
a further 500,000 shares at 1.00/share by Sept. 1/1992.

✓ 7. Kerr will have back-in rights into the U.S. Borax/Lectus deal if U.S. Borax opts out.

✓ 8. All expenditures made by Kerr directly or on behalf of Lectus will include charges for administrative and management costs in the amount of 12 1/2% of direct expenditures.

The above is for discussion purposes at our meeting planned for 8 A.M., Monday August 29, 1988.

Yours truly,



R. A. Dujardin
Manager of Exploration
Western Division

RAD/lk